

**Office of the  
Attorney General**

# **Credit and Debt**



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## **State of Idaho Office of Attorney General Lawrence Wasden**

Dear Fellow Idahoan:

Consumer fraud is a serious problem in Idaho, but, fortunately, it is often a preventable problem. As your Attorney General, I am committed to working with you to prevent fraud. I will also vigorously enforce Idaho's consumer protection laws.

As a consumer, you can protect yourself from fraud by understanding your rights and by making informed and intelligent decisions. There are a variety of steps you can take to protect your credit.

My office fulfills its legislatively assigned consumer education mission by publishing a variety of consumer protection manuals and tip sheets addressing specific topics. All of the publications are available at no cost to you through the Consumer Protection Division and on my website at [www.ag.idaho.gov](http://www.ag.idaho.gov).

Informed consumers are Idaho's best defense against consumer fraud. If you have been a victim of consumer fraud, I encourage you to contact my Consumer Protection Division.

I hope you find the information in this publication helpful.

**LAWRENCE G. WASDEN**  
Attorney General

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## **CREDIT REPORTING AGENCIES (“CRAs”)**

A Credit Reporting Agency or “CRA” gathers information from lenders and public records and generates reports on individuals. The agencies then sell these consumer reports to potential creditors, employers, insurers and other businesses. Credit reports may include information about your credit history, outstanding debt, where you live and work and whether you’ve been sued or arrested.

The three major CRAs are:

Equifax

(800) 525-6285 or [www.equifax.com](http://www.equifax.com)

Experian

(888) 397-3742 or [www.experian.com](http://www.experian.com)

TransUnion

(800) 916-8800 or [www.transunion.com](http://www.transunion.com)

## **HOW TO GET YOUR FREE CREDIT REPORTS**

Anyone can receive free copies of their credit reports once a year from each of the three national credit reporting agencies for any reason whatsoever.

The annual free reports are available only through the centralized source set up by the three credit reporting agencies. *If you contact the companies directly you will still be charged for your credit reports.*

Please note that when you apply for your free credit reports, the credit reporting agencies will likely attempt to sell you upgraded services for a fee. You are under no obligation to purchase any upgraded services; instead, you may simply say no to these options and receive only your free report.

To obtain the free reports, consumers can:

- Call (877) 322-8228;
- Order online at [www.annualcreditreport.com](http://www.annualcreditreport.com); or
- Complete the Annual Credit Report Request Form, available at [www.ftc.gov/credit](http://www.ftc.gov/credit), and mail it to Annual Credit Report Request Service, PO Box 105281, Atlanta, GA 30348-5281.

In order to obtain the credit report, you will be asked for identifying information, including your social security number. Providing this information will ensure that credit reporting agencies send you your credit report.

## **WHAT IS A CREDIT SCORE?**

Information about you (such as your bill-paying history, the number and type of accounts you have, late payments, collection actions, outstanding debt and the age of your accounts) is collected from your credit application and your existing credit report. Creditors compare this information to the credit performance of consumers with similar profiles and award points for each factor that helps predict who is most likely to repay a debt. The total number of points represents your credit score.

The federal Fair Credit Reporting Act (FCRA) promotes accuracy and ensures the privacy of the information used in consumer credit reports. The Federal Trade Commission (FTC) enforces the FCRA. Amendments to the FCRA expand your rights and place additional requirements on CRAs as well as businesses that supply information about you to these agencies. Additionally, if you notify an information provider in writing that you dispute an item, a notice of your dispute must be included anytime the

information provider reports the item to the CRA. This may increase your credit score, but it is not a guarantee.

Credit scoring helps creditors make fast, fair decisions in large numbers of cases and avoid arbitrary or biased judgments that people may make. Sometimes a credit manager will review marginal scores and make a final decision. Therefore, if your score is too close for a definite pass or fail, you may have a chance for individual consideration.

Usually, the higher the score, the better your credit. In mortgage lending, for example, 650 - 675 is very good. A score of 620 - 650 is okay but usually is more closely scrutinized. With a score below 620, you may be approved, but the lender may require a larger down payment or a higher interest rate. Other credit issuers, such as a department store or a landlord, may use completely different criteria for evaluating scores.

### **What Factors Affect a Credit Score?**

Due to the complexity of credit scoring systems and variation between systems, a creditor knows best what you can do to improve your score in a particular situation. Some kinds of information that are usually considered are:

- **Paying bills late or not at all:** Late payments have a major influence on your score. If your credit report shows late payments, accounts referred to collection or any bankruptcies it may harm your score.
- **Outstanding debt:** If your current debt is too close to your credit limits, your score may suffer.
- **Credit history:** Lack of a credit history can lower your score, but low balances and timely payments may raise your score.

Some types of companies usually don't send account information to CRAs. These accounts may be from travel or entertainment companies, gasoline companies, local retailers and credit unions. If you have an insufficient credit history, but you have accounts that don't appear on your report, you can ask a CRA to add these accounts to your report. Some CRAs will charge a fee for this service. Even if you have these accounts added, however, the CRA will not update the information unless the companies themselves regularly report to the CRA.

- Recent applications for new credit: When you apply for credit, an "inquiry" is added to your report. Too many recent inquiries may lower your score. However, some inquiries don't count, such as those used to monitor your account or to make "prescreened" credit offers.
- Number and types of credit accounts: Although a positive credit history is helpful, too many open accounts can hurt your score. Some kinds of credit are more harmful than others. Loans from finance companies usually lower your score.

Information from your credit application also may be considered. Your occupation, how long you've held your current job and home ownership are some other factors that may affect a creditor's decision.

Creditors can't use certain kinds of information to make a credit decision. The federal Equal Credit Opportunity Act (ECOA) prohibits using factors such as race, sex, marital status, national origin or religion to determine your score. The ECOA also requires equal treatment to elderly applicants if age is used in a scoring system.

## **WHAT IF YOU ARE DENIED CREDIT?**

If a creditor turns you down, you have a right under the ECOA to know the specific reasons your application was rejected. Creditors cannot give vague or indefinite reasons, like “Your score was too low” or “You didn’t meet the requirements.” They must give specific reasons, such as, “You have too much outstanding debt” or “Your income is too low.”

Your credit score includes updated information and changes over time, so you can reapply for credit if your information changes. For example, if you have too much outstanding debt, you may want to close some accounts and pay down the balances before you reapply.

If information from a credit report was the reason you were turned down for credit, employment or a mortgage, you have the right to request a free copy of the report within 60 days of notification of credit denial.

## **DISPUTING INCORRECT INFORMATION**

A CRA must investigate any disputed facts in your report, unless the CRA considers the dispute to be frivolous. To dispute inaccurate information, send written notice to the CRA, including your name and address, and explain what information you are disputing. Also make copies of any supporting documents and include them with your letter. Send the letter certified mail, return receipt requested. The receipt is your proof that the CRA received it.

You also should send written notice of your dispute to the creditor or information provider. They must include documentation of your dispute any time they report the information. In addition, if the creditor or information



provider information is found to be incorrect, the CRA can't include it in future reports.

CRAs usually will investigate disputed information within 30 days. They must send your disputed information to the information provider. The information provider then must review the information and report back to the CRA. If the disputed information is inaccurate, the information provider must notify the major CRAs of the correct information.

The CRA is responsible for keeping correct and complete information. If disputed information can't be verified, the CRA must remove it. If new information is provided, the CRA must update it. For example, if you've paid the balance on a previously delinquent account, the report must show that the account is current.

You also can request that the CRA send notices of corrections to anyone who received your report within the last six months. You can have corrections sent to anyone who received a report for employment purposes within the last two years.

## **TIME LIMITATIONS ON REPORTING**

If negative information is accurate, CRAs can keep it on your report for up to seven years. Information about bankruptcies can be kept for ten years. Lawsuits or unpaid judgments can stay for the statute of limitations or seven years, whichever is longer.

Some information, such as criminal convictions, never expires. Information reported regarding a job application never expires if the job pays more than \$75,000 per year. There also is no time limit for information obtained from requesting more than \$150,000 in credit or life insurance.

## **THE CREDIT REPORT PROTECTION ACT**

The Credit Report Protection Act allows you to place a “security freeze” on your credit report and prohibits a person from intentionally releasing your Social Security number to the general public. A security freeze, often called a “credit freeze,” generally prohibits a consumer reporting agency from giving your credit information to a third-party creditor. However, some types of business are allowed to access your credit report while a security freeze is in effect. These include your existing creditors, insurance companies and those screening potential tenants or employees. A freeze helps prevent identity thieves from obtaining credit in your name because most creditors won’t extend credit without first reviewing your credit report.

You may request that a consumer reporting agency place a security freeze on your credit report at any time and for any reason. If you believe that your personal or financial information has been disclosed without your permission, you should consider requesting a security freeze.

To obtain a security freeze, you must mail a written request to each of the three major credit reporting agencies asking them to place a freeze on your credit report. You must pay a fee of up to \$6.00 to each credit reporting agency from which you request a freeze. However, if you are a victim of identity theft, you can obtain a security freeze for free. To obtain a free security freeze as a victim of identity theft, you must file a police report and provide a copy to the credit reporting agencies.

If you want to lift the security freeze only temporarily to allow a specific creditor to access your credit report, you must contact the consumer reporting agency that the creditor uses and request that your credit report be unfrozen

temporarily. Each credit reporting agency determines its own fee to lift the freeze, but it cannot be more than \$6.00.

To permanently lift a security freeze, follow the same steps as requesting a temporary lift, but specify a permanent lift instead. Agencies cannot charge a fee to permanently lift a security freeze.

Consumer reporting agencies are responsible for providing an address, telephone number, fax number, or e-mail address that consumers can use to request a temporary lift of a security freeze. Effective September 1, 2008, all agencies must provide a secure electronic method for consumers to use.

If a credit reporting agency violates the Credit Report Protection Act, and you are harmed by it, you may sue the agency for damages and for the cost of your reasonable attorney fees. In some cases, instead of actual damages, a court may award you punitive damages.

If you believe that a person has violated the Credit Report Protection Act, you should consult with a private attorney about your legal rights and options. You also can file a consumer complaint with the Attorney General's Office.

## **CREDIT REPAIR SERVICES**

You probably have seen or heard ads about credit repair services. You may have received an ad in the mail or calls from telemarketers offering to repair your credit. They all make the same claims:

- "Credit problems? No problem!"
- "We can erase your bad credit -- 100% guaranteed."
- "Create a new credit identity -- legally."

- "We can remove bankruptcies, judgments, liens and bad loans from your credit file forever!"

Don't believe these statements. Only time, effort and a payment plan will improve your credit report.

If you decide to respond to a credit repair offer, beware of companies that:

- Want you to pay for credit repair services before any services are provided;
- Do not tell you your legal rights;
- Do not tell you what you can do to repair your credit yourself at no cost;
- Recommend that you not contact a CRA directly; or
- Advise you to dispute all information in your credit report or take any action that seems illegal, such as creating a new credit identity. If you commit fraud, you may be subject to prosecution.

### **What to do if you've had problems with credit repair services.**

If you've had a problem with a credit repair service, file a complaint with the Attorney General's Office, Consumer Protection Division.

You also may contact the FTC. Although it can't resolve individual credit problems for consumers, the FTC can act against a company if it finds a pattern of possible law violations. If you believe a company has engaged in credit fraud, visit [www.ftc.gov](http://www.ftc.gov) or call (877) 382-4357. Send your complaint to: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Ave. NW, Washington, DC 20580.

The National Consumers League's National Fraud Information Center (NFIC) also accepts consumer complaints. You can reach the NFIC at [www.fraud.org](http://www.fraud.org). The NFIC is a private, nonprofit organization that operates a consumer assistance phone line to provide services and help in filing complaints. The NFIC also forwards appropriate complaints to the FTC for entry in its telemarketing fraud database.

## **THE CREDIT CARD ACT OF 2009**

Congress recently passed the Credit Card Accountability Responsibility and Disclosure (“Credit CARD”) Act to protect consumers against interest rate hikes, hidden fees, and deceptive practices. Some provisions take effect in August 2009, while most will not become effective until February 2010, and a few others take effect in August 2010.

### **Effective August 20, 2009**

Beginning in August 2009, your credit card company must give you written notice of changes to your credit card agreement 45 days before those changes take effect. This includes changes to your APR, fees, or finance charges. If you receive a notice of changes to your credit card agreement, you have the option of cancelling or closing your account.

Also beginning in August, your “payment due” date must be the same every month and you must receive your billing statement at least 21 days before the payment due date.

### **Effective February 22, 2010**

Beginning February 22, 2010, credit card companies may not increase the APR on an outstanding balance or within the first year of opening an account, unless:

- A promotional APR period, which may not be less than six months, is ending;
- You agreed to a variable APR;
- You worked out a temporary hardship agreement and have either completed or failed to complete the agreement; or
- You failed to make a minimum monthly payment within 60 days of the due date. If you make on-time minimum monthly payments for the next six months following the increase, the credit card company must terminate the higher rate.

The Act also places significant limits on credit card fees. Your credit card company will not be able to charge you over-the-limit fees unless you elect to allow transactions beyond your credit limit. You will be charged an over-the-limit fee only once per billing cycle. Additionally, your credit card company may no longer charge you a fee based on method of payment, unless you are making an expedited payment through a customer service representative.

Once the Act becomes effective, the way in which your payments are applied to balances with different interest rates may change. Any amount you pay above the minimum will be applied to the balance with the highest interest rate. However, there is an exception. If you owe a balance with a deferred interest rate, money you pay above the minimum during the two billing cycles before the deferred rate expires will be applied to the balance with the deferred interest rate.

Your billing statement will disclose the number of months it will take to pay off your balance if you make only the minimum monthly payment. It will also state the total amount you would pay if you make only the minimum payment each month. Your billing statement will also

disclose the amount you would need to pay monthly in order to pay off your balance in 36 months and the total amount you would pay if you did so.

### Effective August 22, 2010

The Act further limits credit card fees by providing that all penalty fees, such as late fees, must be “reasonable and proportional.” The federal government will establish standards to determine whether a fee is “reasonable and proportional” prior to August 2010.

If you believe a credit card company has violated the Credit CARD Act and you were harmed by the violation, you should consult with a private attorney. You may also file a complaint with the Attorney General’s Consumer Protection Division.

## **THE CONSUMER FORECLOSURE PROTECTION ACT**

Due to an increase in mortgage foreclosures, the number of so-called “foreclosure rescue” companies has multiplied. These companies advertise that they can help financially distressed consumers save their homes from foreclosure. In the past, homeowners had little protection against predatory companies that often stripped consumers of their equity and made them tenants in their own homes.

Recognizing the damage these foreclosure rescue companies have caused homeowners, the Idaho Legislature enacted the Consumer Foreclosure Protection Act. The Act, with an effective date of July 1, 2008, requires certain businesses to include written disclosures in any contract with a homeowner who is facing foreclosure.

Contracts must include a notice informing the homeowner about the consequences of entering into a foreclosure rescue contract. The notice must provide information about resources the homeowner may consult. It also must include a five-day right to rescind the contract. The notice must be printed in twelve-point bold type on 8 ½" x 11" paper.

Certain businesses, including licensed mortgage lenders and brokers, banks, and credit unions, are exempt from the Act's disclosure requirements. For a complete list of exempt entities and a full explanation of the Act's requirements, you should read the entire Act and consult with your private attorney.

For additional information regarding how to avoid foreclosure, visit the U.S. Department of Housing and Urban Development's ("HUD") website at [www.hud.gov](http://www.hud.gov) or call HUD, toll-free, at (800) 569-4287. You should consult with your private attorney before you sign any contract involving the ownership of your home.

## **FAIR DEBT COLLECTION**

If you owe money on a credit card or personal loan or if you are paying on a home mortgage, you are a "debtor." A debt collector may contact you if you fail to pay your debts on time or if there is an error on your account. Attorneys who collect debts on a regular basis also are debt collectors.

The practices of debt collectors are regulated under the federal Fair Debt Collection Practices Act (FDCPA). The FDCPA covers personal, family and household debts.

Debt collectors may contact debtors in person, by mail, telephone, telegram or fax. They are not allowed to contact you by postcard. They may not deceive you into accepting collect calls or paying for telegrams.



They are not allowed to contact you at inconvenient times or places. For example, they may not contact you before 8 a.m. or after 9 p.m. They also may not contact you at work if they know your employer does not approve.

A debt collector may not tell anyone other than you or your attorney that you owe money. They may contact other people to find out your address and phone number and where you work, but usually can contact them only once. If you have an attorney, a collector must contact your attorney instead of you.

Within five days of the first contact, the collector must send you a written notice informing you how much you owe, the name of the creditor to whom you owe the money and what to do if you believe you do not owe the money.

You can write a letter to a debt collector telling them to stop contacting you. After the collector receives your letter, they may contact you only to say there will be no further contact or to inform you of some specific action they (or the creditor) intend to take. However, the collector or creditor may still sue you for the debt you actually owe, even if you send a letter to stop all contact.

If, within 30 days, you send the collection agency a letter disputing the debt, the collector is not allowed to contact you until you receive proof of the debt.

Debt collectors may not harass or abuse you in their collection activities. They can't threaten violence or harm, use obscene or profane language or repeatedly call to annoy you. They can't provide to anyone, other than a CRA, a list of consumers who may owe money. They may not threaten arrest if you do not pay. They can't threaten to seize, garnish, attach or sell your property or wages unless they are legally allowed to do so and intend to do so. They also can't

threaten lawsuits unless they legally are able to and intend to take such actions.

Debt collectors may not make false or misleading statements. They may not claim that they are attorneys or government representatives. They may not send you anything that resembles an official court or government document when it is not such a document. They may not indicate that papers are legal forms when they are not. Conversely, they may not indicate that legal forms sent to you are not legal forms. They may not falsely accuse you of a crime.

Collectors can't use a false name or falsely claim that they operate or work for a CRA. They are not allowed to give false credit information about you to anyone, including a CRA.

Collectors may not misrepresent the amount of your debt. They can collect their incurred costs or attorney fees.

They may not deposit a post-dated check prematurely.

Any payment you make must be applied to the debt you choose. A debt collector is not allowed to apply a payment to a debt you believe you do not owe.

If you believe a debt collector violated the law, you have a right to sue the debt collector in a state or federal court within one year of the violation. If you win, you may recover damages, an additional amount up to \$1,000 and court costs and attorney's fees. If a group of people sues a debt collector, the group may recover damages up to \$500,000 or one percent of the collector's net worth, whichever is less.

If you have problems with a debt collector, you may report the collector to the Federal Trade Commission.

## **CREDIT AND DIVORCE**

### **The Difference Between Individual and Joint Accounts**

If you have an individual account, you alone are responsible for the debt. If you are married and you individually don't earn enough money, you may have difficulty getting a credit account. For this reason, some married couples choose to open joint accounts.

If you apply for a joint account, both spouses' incomes and financial backgrounds are considered. If one spouse earns more money and the other works at home or part time, both can have the same credit. With a joint account, however, each spouse is responsible for paying the bills. If a joint account is reported to a credit bureau, it must be reported in both names if the account was opened after June 1, 1977.

### **How Do Community Property Laws Affect a Spouse's Responsibility for a Joint Account?**

If you have an individual account, usually you alone are responsible for the debt.

In Idaho, a community property state, both spouses may be responsible for any debts incurred while they are married. Even individual debts may appear on each spouse's credit report.

If you have a joint account, you are both responsible for any debt incurred on that account. Even if a divorce decree assigns separate debt obligations to your spouse, if the creditors are not a party to the decree, you are still held responsible for any debt your spouse incurs on a joint account.

If you are planning to divorce or separate, make sure regular payments are still being made on all joint accounts. After a

divorce, you may want to close joint accounts or have them converted to individual accounts.

Creditors are not allowed to close joint accounts as a result of divorce unless you or your spouse requests it. A creditor also may make you reapply for individual credit rather than converting a joint account to individual accounts. You may have to refinance a mortgage or home equity loan to remove a spouse from the loan.

### **Who is Responsible for an “Authorized User”?**

You may add a person to your individual account as an “authorized user.” Often, this is done for a person who might not otherwise qualify for credit, such as a student. Even though you authorize someone else to use your account, you must pay the debt.

If you name your spouse as an authorized user, the account must be reported to the creditor in both your names if it was opened after June 1, 1977. Creditors also may report the account in the name of any other authorized user. If you divorce and your former spouse is an authorized user on any accounts, you may want to close those accounts.

## Consumer Protection Manuals

Buying a Home	Landlord and Tenant Guidelines
Charitable Giving	A Parents' Guide to Social Networking Websites
Credit and Debt	Pyramids, Gift Schemes & Network Marketing
Foreclosure Prevention and Foreclosure Scams: How to Tell the Difference	Residential Construction
Guidelines for Motor Vehicle Advertising in Idaho	Rules of Consumer Protection
Idaho Consumer Protection Manual	Rules of Telephone Solicitations
Idaho Lemon Law	Senior Citizens Manual
Identity Theft	Service on an Idaho Nonprofit Board of Directors
Internet Lingo Dictionary	Telephone Solicitation
Internet Safety	Young Adult Handbook

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The Consumer Protection Division enforces Idaho's consumer protection laws, provides information to the public on consumer issues, and offers an informal mediation process for individual consumer complaints.

If you have a consumer problem or question, please call (208) 334-2424 or in-state toll-free (800) 432-3545. TDD access and Language Line translation services are available. The Attorney General's website is available at [www.ag.idaho.gov](http://www.ag.idaho.gov).